



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 783** HLS 12RS 502
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: March 19, 2012 4:42 PM	Author: FANNIN
Dept./Agy.: Department of Transportation and Development	
Subject: Authorizes issuance of bonds secured by the State Highway	Analyst: Alan M. Boxberger

BONDS/STATE OR SEE FISC NOTE SD EX Page 1 of 1
Authorizes the issuance of bonds secured by monies in the State Highway Improvement Fund

Present law provides for the State Highway Improvement Fund (SHIF) of which the source of monies is registration and license fees and taxes on trucks and trailers. Proposed law provides that the source of monies in the fund shall be those that remain after payment of amounts due on bonds and related expenses of any bonds issued under proposed law; provides that the Louisiana State Bond Commission is authorized to issue bonds, notes, certificates or other evidence of indebtedness for purposes of funding projects set forth in present law; provides that any such bonds issued are revenue bonds and payable solely from the SHIP without a pledge of full faith and credit of the state; establishes a special fund to provide for the securitization of any bonds that may be issued; provides with respect to authorization of bonds by a resolution of the commission with certain requirements; provides for the means and method of selling the bonds; provides that the bonds are not subject to limitations except to be included in the net state tax supported debt; provides with respect to legal and authorized investors, and provides with respect to rights of bond holders.

EXPENDITURES	2012-13	2013-14	2014-15	2015-16	2016-17	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

REVENUES	2012-13	2013-14	2014-15	2015-16	2016-17	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

The Department of Transportation and Development indicates that it will seek to issue three bond series in consecutive years in the amounts of: FY 13 - \$100,000,000, FY 14 - \$100,000,000 and FY 15 - \$125,200,000. Available bond proceeds would be used for projects as set forth in R.S. 48:196 (projects for any road which is part of the state highway system but not part of the federal system and thus ineligible for federal highway funding assistance). DOTD estimated annual debt service on this plan ramping up to \$25 million per year through FY 35, based on twenty year bonds and a 4.5% interest rate. Actual annual debt service costs will depend on the actual amount of bonds issued and the structure of the debt issuance, relative to the SHIF funds available to support the debt.

Bonds issued under the proposed law will result in issuance costs. The State Bond Commission (SBC) indicated that the costs of issuing a revenue/appropriation bond would be approximately \$700,000 (typically paid from bond proceeds) for a single issue. Multiple issues as proposed by DOTD will spread underwriting costs over the three years of issuance but also likely increase those costs, as well as result in duplication of other costs, such that overall costs could be substantially greater than a single debt issue. The proposed law will also result in ongoing trustee and paying agent costs, as well as ongoing administrative costs incurred by SBC staff, of several thousand dollars per year, paid from bond proceeds and the existing budget of the state treasury, unless incrementally funded.

REVENUE EXPLANATION

The State Highway Improvement Fund (SHIF) generates revenues through registration, license fees and taxes on trucks and trailers pursuant to R.S. 47:462 and 47:481. The Revenue Estimated Conference currently estimates revenue collections in the SHIF will total \$51.8 M in FY 13, \$57.1 M in FY 14, \$58.5 M in FY 15 and \$58.5 M in FY 16.

The proposed law results in no direct revenue collection increases or decreases, but simply redirects utilization of the proceeds. The revenues under contemplation are, under the provisions of Article VII, Section 9, currently pledged first to the payment of General Obligation bond debt service and are a first lien for that purpose. As such, the revenues being pledged to the payment of the proposed bonds will provide a secondary pledge and will be second lien, or subordinate lien debt. Additionally, the bonds being issued are secured by revenues subject to appropriation by the legislature. As such, the pledge is less than full faith and credit of the state and therefore coverage ratios will be required to exceed 1:1. The level of revenues offered and debt coverage ratio required will be instrumental in determining the level of debt issuance and the corresponding costs. The department indicates it will seek a ceiling of \$25 M in annual debt service payments, but the proposed law does not set a limit. The \$25 M ceiling would allow a debt coverage ratio of greater than 2:1, which works to enhance the marketability of the bonds for potential buyers.

Senate	Dual Referral Rules	House	
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}	
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	Gregory V. Albrecht Chief Economist